

Sales tax impact on Midland County Hospital District property taxes

HB 2793 by Craddick/Sims

DIGEST:

Sec. 26.041 of the Tax Code provides that if a hospital district or similar entity levies a sales tax, its "effective" property tax rate will be reduced to reflect the additional revenue raised by the sales tax. The "rollback rate" — the maximum property-tax rate a taxing unit may levy without being subject to an election to force a rollback of the rate — also is reduced by taking sales tax revenue into account.

HB 2793 would have allowed the Midland County Hospital District to impose a property tax rate of 15 cents per \$100, regardless of whether the calculation under sec. 26.041 taking additional sales tax revenue into account resulted in a lower effective tax rate. It would have set the district's property-tax rollback rate at 16.2 cents plus the current debt rate, regardless of whether the rollback rate calculation taking sales tax revenue into account produced a lower rollback rate. The effective tax rate and rollback rate provisions would have applied only in the first year in which the sales tax was collected. The bill also would have allowed members of the district's board to serve four-year staggered terms, instead of two-year terms.

GOVERNOR'S REASON FOR VETO:

"This bill is somewhat unusual in that it would effectively defeat the rollback provisions of sec. 26.141, Tax Code [an apparent reference to sec. 26.041], and it allows for sales tax revenue to be an additional revenue to property tax revenue. The intent of the sales tax option was to allow that revenue source in lieu of property taxes. This bill would circumvent that intention and eliminate the property tax relief provision intended by the sales tax option extended to governmental subdivisions."

RESPONSE:

Rep. Tom Craddick, author of HB 2793, said: "The governor had no business vetoing this local bill. The local authorities, meaning the hospital district and myself, are responsible to the local community. The hospital district asked that the bill be passed with these rollback and sales tax provisions so they could raise enough money to pay for indigent health care. The rollback provisions are only good for one year."

NOTES:

HB 2793 passed the House on the Consent Calendar and was not analyzed in a *Daily Floor Report*.